

## Message Text

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ACTION IO-11

INFO OCT-01 EUR-12 ISO-00 IOE-00 EB-07 AID-05 OIC-02

COME-00 TRSE-00 OPIC-03 AF-06 ARA-06 EA-07 NEA-10

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P R 301103Z JAN 76

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 7664

INFO USMISSION USUN NEW YORK

C O N F I D E N T I A L VIENNA 0720

E.O. 11652: GDS

TAGS: PFOR, PORG, OCON, UNIDO

SUBJECT: GROUP B MEETING ON UNIDO CONSTITUTION

REF: A. VIENNA 0584; B. VIENNA 0640

1. GROUP B MET MORNING JAN 29 FOR INITIAL EXCHANGE OF REACTIONS TO G-77 DRAFT OF UNIDO CONSTITUTION (IT WAS AGREED TO DEFER FURTHER CONSIDERATION OF GROUP B PAPER UNTIL ANALYSIS OF G-77 PAPER, INCLUDING REACTIONS FROM CAPITALS, HAD BEEN COMPLETED). IT WAS UNDERSTOOD THAT COMMENTS EXPRESSED REPRESENTED TENTATIVE, PRELIMINARY OPINIONS OF GROUP B VIENNA MISSIONS. RELATIVELY FEW GROUP B REPS TOOK PART IN DISCUSSION WITH FRG ABSENT AND UK SILENT THROUGHOUT.

2. US LED OFF DISCUSSION, GIVING VIEWS ALONG LINES THOSE SET OUT IN PARA 3 REF A, BUT ALSO TAKING OCCASION TO INDICATE THAT IN CERTAIN RESPECTS GROUP B STUDY PAPER ALSO FAILED MEET US VIEWS. JAPAN, NOTING THAT JAPANESE EXPECTED BE FIRMLY BOUND BY INSTRUCTIONS TO INSIST ON WEIGHTED VOTING, REPORTED THAT, IN CONTACTS WITH SEVERAL G-77 DELS AT END OF COW-I, THESE DELS FIRMLY REJECTED WEIGHTED VOTING AS TOTALLY UNACCEPTABLE AND NON-NEGOTIABLE. IF GROUP B INSISTED ON WEIGHTED  
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VOTING, ACCORDING THOSE DELS, G-77 WOULD PREFER SEE

UNIDO CONTINUE AS IS RATHER THAN ACCEPT SA CONSTITUTION INCORPORATING WEIGHTED VOTING FORMULA. (WE HOPE FURTHER TO PROBE THIS REPORTED ATTITUDE OVER THE NEXT COUPLE OF WEEKS.) FRANCE BELIEVED THAT ISSUE COULD BE LEFT FOR RESOLUTION AT LATE STATE OF NEGOTIATIONS, BUT THOUGHT THAT GROUP B SHOULD BEGIN CONSIDER FORMS OF PROTECTING INTERESTS OF MAJOR CONSTITUTION OTHER THAN WEIGHTED VOTING, E.G., A BUDGET COMMITTEE, WHOSE COMPOSITION WOULD ASSURE THAT P/B COULD NOT GO FORWARD WITHOUT GROUP B CONCURRENCE AND WHOSE RECOMMENDATIONS WOULD BE BINDING ON THE IDB. ONE SUGGESTION WAS THAT A THREE-FOURTHS AFFIRMATIVE VOTE ON THE IDB SHOULD BE REQUIRED IN ORDER TO BRING A PROPOSED PROGRAM/BUDGET BEFORE THE CONFERENCE WHERE A TWO-THIRDS VOTE COULD BE REQUIRED FOR ITS FINAL ADOPTION. SUCH FORMULA WOULD REQUIRE SUFFICIENT MAJOR CONTRIBUTOR REPRESENTATION ON THE BOARD TO GIVE THE GROUP A BLOCKING VOTE. IT WAS NOTED THAT SUCH PROCEDURE MIGHT ALSO BE A WAY OF MEETING THE G-77 ARGUMENT THAT THE WEIGHTED VOTING FORMULA CONTAINED IN THE GROUP B STUDY PAPER VIOLATES THE PRINCIPLE OF THE SOVEREIGN EQUALITY OF STATES. DUTCH SUGGESTED CONSIDERATION MIGHT BE GIVEN TO A VOTING PROCEDURE WHICH WOULD REQUIRE THE AFFIRMATIVE VOTE OF AT LEAST A MAJORITY OF THE COUNTRIES OF EACH GEOGRAPHIC GROUP. JAPAN NOTED THAT G-77 AWARE OF FINANCIAL CONCERNS OF MAJOR CONTRIBUTORS AND ACCEPT THEM TO SOME EXTENT. DIVISION OF BUDGET INTO ADMIN/RESEARCH AND OPERATIONAL ACTIVITIES, AS IN ART. 10 BIS OF GROUP B DRAFT, OFFERED ONE PROTECTIVE MECHANISM TO DC'S; COMPOSITION OF IDB OR OTHER BUDGETARY ORGAN MIGHT ALSO OFFER SAFEGUARD TO DC'S. NEW ZELAND REITERATED OPPOSITION TO WEIGHTED VOTING EXPRESSED IN GENERAL DEBATE AT COW-I, SUGGESTED POSSIBILITY OF INSERTING IN CONSTITUTION REQUIREMENT THAT ALL FINANCIAL DECISIONS BE TAKEN BY CONSENSUS. SWITZERLAND HELD THAT WEIGHTED VOTING WAS NOT SO IMPORTANT AS REDUCTION IN PROPORTION OF ADMINISTRATIVE EXPENSES. SWITZERLAND COULD ACCEPT PERIODIC TRANSFER OF AN AGREED AMOUNT OF ASSESSED CONTRIBUTIONS FROM THE REGULAR BUDGET TO THE INDUSTRIAL DEVELOPMENT FUND TO BE USED FOR OPERATIONAL ACTIVITIES.

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3. GROUP ADDRESSED ITSELF ALSO TO QUESTION OF SIZE OF IDB, WITH NETHERLANDS EXPRESSING EEC PREFERENCE THAT IDB BE HELD TO PRESENT MEMBERSHIP OF 45, WITH GROUPS B AND D ACCEPTING SLIGHT REDUCTIONS IN FAVOR OF INCREASED LDC MEMBERSHIP IF NECESSARY TO HOLD IDB TO PRESENT SIZE. FRANCE NOTED THAT SMALLER IDB IN THOSE TERMS MIGHT NOT SATISFY GROUP B INTERESTS, SUGGESTED THAT

INCREASE OF IDB TO 60 MEMBERS, WITH SAME PROPORTIONS  
AS PRESENT IDB, MIGHT BE PREFERABLE ARRANGEMENT.  
WAS GENERALLY RECOGNIZED THAT SIZE  
OF IDB, REPRESENTATION OF GEOGRAPHIC GROUPS, FREQUENCY  
OF BOARD MEETINGS, INTERVALS BETWEEN GENERAL CONFERENCE  
SESSIONS, FINANCIAL POWERS OF IDB, LENGTH OF APPOINTMENT  
OF DIRECTOR-GENERAL WERE ALL CLOSELY CONNECTED.

4. COMMENT: DISCUSSION INDICATES THAT, WHILE GROUP B  
GENERALLY PREPARED TO STAND BY WEIGHT VOTING FORMULA  
AT LEAST IN EARLY STAGES OF AND PERHAPS THROUGH  
COW-II, THERE WILL BE ACTIVE SEARCH BY VARIOUS  
GROUP B DELS FOR ALTERNATIVES TO BE FLOATED IF G-77  
CONTINUE TO REJECT IT. THIS PROSPECT SUGGESTS THAT WE  
OVERSELVES SHOULD EXPLORE WHETHER THERE ARE OTHER VOTING  
ARRANGEMENTS THAT WOULD EFFECTIVELY AND SATISFACTORILY  
MEET OUR OWN REQUIREMENTS. JAPANESE REPORT POINTS  
TO A POSSIBLE OUTCOME OF G-77/GROUP B DEADLOCK ON  
THIS ISSUE THAT WOULD REMOVE OPTION WE HAVE ASSUMED  
WOULD BE AVAILABLE TO US OF REFUSING TO PICK UP  
MEMBERSHIP IN A NEW UNIDO IF ITS STATUTES WERE UNACCEPTABLE  
TO US AND PERHAPS FACE US WITH THE PROSPECT OF  
UNIDO REMAINING IN THE UN UNDER RES 2152 BUT  
WITH INCREASED AUTONOMY GLEANED FROM "TRANSITIONAL"  
ARRANGEMENTS WITH UNNY. STIBRAVY

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